



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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REGULAR BOARD MEETING
May 24, 2006

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on May 24, 2006.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Greg Cuoio
Jeff Holy
Mark Johnston
Maureen Morris
Clint Olson
Senator Linda Evans Parlette

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Tim Valencia, Senior Research and Policy Manager
Greg Deam, Senior Research and Policy Manager
Linda Sullivan-Colglazier, Assistant Attorney General

Guests:

Sandy Matheson - Director, Department of Retirement Systems (DRS)
Mark Feldhausen - Budget & Benchmarking Director, DRS

Board Members Not Present:

Representative Geoff Simpson
Michael Edwards
Pat Hepler

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:44 a.m. The Board took a moment of silence to remember and honor those who have fallen since the last meeting.

1) April 26, 2006 Board Meeting Minutes

It was moved that the April 26, 2006 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Alternate Revenue Source, Initial Consideration – Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented the Board with an Initial report and presentation on the Board's goal of identifying an *Alternate Revenue Source* to fund future benefit improvements as an alternative to increasing contribution rates.

The report included alternate funding source examples for Washington, as well as other states.

The Board requested that staff provide the history of legislative fund sources, research the property tax levy, and provide the total insurance premium collections for the state of Washington. An Initial Follow-Up Report will be brought back to the August Board meeting.

3) Deferred Compensation, Preliminary Report – Greg Deam

Greg Deam, Senior Research and Policy Manager provided a Preliminary Report and presentation on the topic of *Deferred Compensation*. Mr. Deam reviewed the current statutes with regards to matching contributions, "payments in lieu of", 401(k) and 401(a) plans, and policy options.

The policy options presented are as follows:

- Amend statute to include 401(a) and 401(k) plans
- Change statute to include employer contributions to deferred compensation plans as "salary"

Staff will continue to work with the Office of the State Actuary on costs and bring back a Preliminary Follow-Up Report on the topic of Deferred Compensation to the July Board Meeting.

4) Board Membership, Final Proposal – Tim Valencia

Tim Valencia presented a Final Proposal to the Board on the topic of *Board Membership*. Mr. Valencia reviewed the term expiration patterns that were discussed at the April 2006 meeting and went on to discuss a proposal summary with a modified term expiration pattern. A *Board Membership Draft Bill* was also provided.

It was moved that the Board use the proposed bill draft and move forward pursuing legislation on the topic of Board Membership during the 2007 Legislative Session. Seconded

MOTION CARRIED UNANIMOUSLY

5) Supplemental Rate Adoption - Steve Nelsen

Steve Nelsen, Executive Director provided a memo from the Office of the State Actuary (OSA) which included the recommended *LEOFF Plan 2 Supplemental Rate Increases* due to the passage of Board legislation that passed during the 2006 Legislative Session. The following recommended rates would become effective September 1, 2006:

	MEMBER	EMPLOYER	STATE
HB 2932	0.02%	0.01%	0.01%
SHB 2933	0.01%	0.01%	0.00%
SB 6723	0.03%	0.02%	0.01%
TOTAL	0.06%	0.04%	0.02%

The Board moved to adopt the proposed supplemental rate increases. 0.06% - Member, 0.04% - Employer, 0.02% - State to become effective on September 1, 2006.

Seconded.

MOTION CARRIED UNANIMOUSLY

6) Administrative UpdateSelect Committee on Pension Policy (SCPP) Update

Mr. Nelsen reported that the SCPP held their last meeting on May 16, 2006. The SCPP has set their workplan and includes all of the LEOFF/OSA coordination items requested.

Quarterly Budget Update

The Executive Director presented the Quarterly Budget Update. Board members received a copy of the April 2006 *Allotment and Expenditures Report* which reflected that all expenditures are at or below expected levels.

7) Department of Retirement Systems' Benchmarking Results

Mark Feldhausen, Budget and Benchmarking Director of the Department of Retirement Systems (DRS) presented the Board with the results from a retirement system benchmarking survey conducted by Cost Effectiveness Measurement Benchmarking Inc. Overall, when comparing DRS to other states, including the complexity of the Washington State retirement systems, DRS scored very high in most categories concerning the costs and services delivered to customers.

Sandy Matheson, Director of DRS updated the Board on the agency's current project of simplifying the process for its members applying for retirement.

8) Agenda Items for Next Meeting

Mr. Nelsen reviewed the Agenda Items calendar for the upcoming meeting and reminded Board members of the 2006 Strategic Planning Session scheduled on June 21, 2006, following the regular meeting. Representative Curtis will be present to discuss retiree medical with the Board prior to the Strategic Planning Session.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for June 21, 2006 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:14 p.m.